

Report of the auditor-general to the Gauteng Provincial Legislature and the council of West Rand District Municipality

Report on the consolidated and separate financial statements

Introduction

1. I have audited the consolidated and separate financial statements of the West Rand District municipality and its municipal entity set out on pages x to x, which comprise the consolidated and separate statement of financial position as at 30 June 2016, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the consolidated and separate financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 6 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the West Rand District Municipality and its municipal entity as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

8. As disclosed in note 45 to the consolidated financial statements, the municipality incurred material losses on bank and cash amounting to R6 213 226 as a result of the difference between the cash book and the bank statement.

Significant uncertainties

9. As disclosed to note 36 to the consolidated financial statements, the municipality is the defendant in a number of legal cases. The ultimate outcome of these matters cannot currently be determined. Consequently no provision for any liability that may result has been made in the financial statements.

Material impairments

10. As disclosed in note 4 to the consolidated financial statements, the trade receivables balance has been significantly impaired. The allowance for impairment of consumer debtors amounted to R 3 893 143 (2015: R3 193 058), which represented 12% (2015: 54 %) of total trade debtors. The contribution to the provision for debt impairment was R790 085 (2015: R1 369 840).

Report on other legal and regulatory requirements

11. In accordance with the Public Audit Act of, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the West Rand District Municipality for the year ended 30 June 2016:
 - Development priority 1: regional planning and economic development on pages x to x
 - Development priority 2: health and social development on pages x to x
 - Development priority 3: public safety pages x to x
13. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for Managing Programme Performance Information* (FMPPI).
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following development priorities:
 - Development priority 1: regional planning and economic development
 - Development priority 2: health and social development
 - Development priority 3: public safety

Additional matters

17. Although I did not raised material findings on the usefulness and reliability of the reported performance information for the selected development priorities , I draw attention to the following matters:

Achievement of planned targets

Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year.

Unaudited supplementary information

18. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion on it.

Compliance with legislation

19. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material finding on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows

Annual financial statements

20. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements of current assets, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

21. Contracts were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for bidding, in contravention of SCM Regulations 21(b) and 28(1)(a).

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation, included in this report.

Leadership

23. The accounting officer did not perform oversight responsibility over financial reporting adequately, resulting in material adjustments required on the financial statements and SCM legislation.

Financial and performance management

24. The financial statements preparation and review processes were inadequate in certain instances, resulting in material adjustments to the financial statements. The compliance with SCM regulations is not monitored by senior management regularly so that non-compliance can be addressed timeously.

AUDITOR - GENERAL

Johannesburg

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence